
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Solar Energy System Tax Credit

The Solar Energy System Tax Credit is available for qualified installations at a residence or business located in Iowa. The Iowa credit is a percentage (50.0% or 60.0%) of the federal credit for solar installations. The federal credit is equal to 30.0% of installation costs. The federal credit was set to expire December 31, 2016, but was extended in 2015. The federal credit will equal 30.0% through 2019 and then will be phased out over several years for residential installations and phased down to 10.0% for commercial installations.

Per-installation State tax credit maximums apply. Taxpayers may receive tax credits for more than one installation, but the installations must be separate and distinct. The total amount of tax credits approved in a year for all taxpayers combined is limited to \$5.0 million. Taxpayers must submit applications to the Iowa Department of Revenue and receive a tax credit certificate before a tax credit may be claimed. Applications in excess of the \$5.0 million cap are placed on a wait list for the next year's annual allocation. The tax credit is not refundable or transferable, but unused credits may be carried forward.

Tax Credit Background

- Enabling Legislation: [2012 Iowa Acts, chapter 1121](#) (Tax Credits and Exemptions Act)
- Iowa Code Citations:
 - [Section 422.11L](#) — Individual Income Tax
 - [Section 422.33\(29\)](#) — Corporate Income Tax
 - [Section 422.60\(12\)\(a\)](#) — Bank Franchise Tax
 - [Section 533.329\(2\)\(I\)](#) — Credit Union Moneys and Credits Tax
- Administrative State Agency: Department of Revenue
- Sunset Date: There is no sunset date for the Iowa credit, but it does require the availability of a federal solar credit.
- Transferable: No
- Refundable: No
- Carryforward: Unused tax credits may be carried forward up to 10 years.
- Legislative Tax Expenditure Committee Review Years: Review of this credit is not a duty of the Committee.

Legislative History

As originally enacted, the Solar Energy System Tax Credit was equal to 50.0% of the federal credit, and the total amount of tax credits issued in a year could not exceed \$1.5 million. The annual cap was increased to \$4.5 million for calendar year 2014 and to \$5.0 million for calendar year 2015 and after. The tax credit percentage was raised to 60.0% for calendar years 2014 and 2015, before returning to 50.0% for calendar year 2016 and after. As originally enacted, the credit could only be used by individual and corporate income tax filers. Banks (franchise tax) and credit unions (moneys and credits tax) were added beginning calendar years 2014 and 2015, respectively.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report/Contingent-Liabilities

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/sites/sites/files/idr/Tax_Credits_Users_Manual_2018.pdf

Legislative Services Agency Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

Solar Energy System Tax Credit Annual Report: tax.iowa.gov/report/Reports?combine=Solar_Energy

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In December 2015, the U.S. Congress revised and extended the federal solar energy credit. The 2016 Legislature coupled Iowa's tax code with the federal change ([HF 2468](#), section 4). The combined State and federal action extended the availability of the Iowa tax credit through calendar year 2021.

Tax Credit Review, Usage, and Future Liability

The Solar Energy System Tax Credit is not included on the list of tax credits to be reviewed by the Tax Expenditure Committee. However, the Department of Revenue is required to file an annual report with the Governor and General Assembly.

The Solar Energy System Tax Credit was first available for 2012 installations. The 2017 annual report filed by the Department covered installations and tax credits earned from 2012 through December 2017. A total of 3,395 projects were awarded \$21.6 million in State tax credits. Residential installations accounted for 55.7% of the projects and 27.5% of the awarded tax credits. Using the \$166.4 million in reported installation costs and the State tax credit award amount, and assuming federal tax credits totaling \$49.9 million (30.0% of \$166.4 million), the combined federal-State tax credit amount of \$71.5 million represents 43.0% of installation costs across the 3,395 solar projects benefiting from the State tax credit.

Solar Energy System Tax Credit Statistics

January 2012 through December 2017

	# of Projects	% of Total	Tax Credit Amount Awarded	% of Total	Total Installation Cost	% of Total	Kilowatts Installed – 2014 through 2017 *	% of Total
Residential	1,890	55.7%	\$ 5,959,021	27.5%	\$ 46,488,255	27.9%	11,094	24.4%
Commercial	1,505	44.3%	\$ 15,675,105	72.5%	\$119,881,167	72.1%	34,308	75.6%
Total	3,395	100.0%	\$ 21,634,126	100.0%	\$166,369,422	100.0%	45,402	100.0%

*2,428 projects (71.5%) reported the amount of kilowatts installed.

The Department of Revenue reports on the annual credit usage for the Solar Energy System Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table and graph provide credit redemption history and projections for the Solar Energy System Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Solar Energy System Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2005	\$ 0	FY 2014	\$ 867,603
FY 2006	0	FY 2015	2,204,074
FY 2007	0	FY 2016	3,227,879
FY 2008	0	FY 2017	4,123,272
FY 2009	0	FY 2018	3,588,524
FY 2010	0	FY 2019*	3,874,804
FY 2011	0	FY 2020*	4,016,162
FY 2012	0	FY 2021*	4,220,350
FY 2013	347,350	FY 2022*	4,395,244
		FY 2023*	2,314,959

